

## **FREQUENTLY ASKED QUESTIONS – ACTIVE EMPLOYEES**

### **1. Who represents the active salaried employees?**

Eight Representatives, including: Frank Dalimonte, Bill Missen, Pat Mousseau, Tim Huxley, Paul Wendling, George Hanson, Gary Dallin, Ron McClure were appointed by the Superior Court of Justice (Commercial List) (the "**CCAA Court**") on October 8, 2014 (amended January 11, 2016) (the "**Representation Order**").

Koskie Minsky LLP was appointed as Representative Counsel on behalf of all non-USW active and retired members on October 8, 2014.

### **2. What role do the Representatives and Representative Counsel play?**

Representative Counsel acts on behalf of all non-USW active and retired members and regularly consults and liaises with the Representatives regarding various issues that arise in the CCAA proceedings.

Specifically, the Representation Order provides that the Representatives are appointed to act in relation "to all matters pertaining to any recovery, compromise of rights or entitlements under the Non-USW Plans and OPEBs or changes to Other Compensation in these CCAA Proceedings".

Notices were sent out to all non-USW active and retired members following the October 8, 2014 court order advising them of the appointment of the Representatives and Representative Counsel. The Representation Order and Notice are available on the Monitor's website and Koskie Minsky's website and may be viewed at this link: [https://kmlaw.ca/wp-content/uploads/2014/10/REPORDER\\_08OCT14.pdf](https://kmlaw.ca/wp-content/uploads/2014/10/REPORDER_08OCT14.pdf). [The deadline to opt-out of representation in the CCAA proceedings by the Representatives and Representative Counsel has passed.](https://kmlaw.ca/wp-content/uploads/2014/10/REPORDER_08OCT14.pdf)

## **Plan of Compromise and Arrangement**

### **3. What is the current status of the CCAA Proceedings?**

On March 15, 2017, the CCAA Court approved the filing of a plan of compromise, arrangement, and reorganization under the CCAA (the "**Plan**") by USSC.

After raising concerns about the Plan, the Representatives and Representative Counsel entered into extensive negotiations with Bedrock and Stelco to improve the Plan for non-USW active and retired members. A settlement was reached which is described further in the next question.

On April 26, 2017, the CCAA Court approved the Settlement Agreement and a revised Plan which incorporated the changes.

The Plan was voted on April 27, 2017 at a Creditors Meeting. As a result of the votes cast in each of the Meetings of the class of the General Unsecured Creditors and the class of the Non-USW Main Pension and OPEB Claim holders, the Amended Plan was voted in favour by a majority of the creditors at the Meetings.

Further amendments to the Plan were necessary to implement the agreements that were reached between USSC and USW Local 8782, USW Local 8782(b), and USW Local 1005. The key commitment that was made in those agreements is a minimum contribution of \$33 million per year to fund OPEBs for all eligible retirees (both salaried and unionized) for the first ten years following the completion of the Bedrock Transaction. As a result of the Settlement Agreement reached between Representative Counsel to the non-USW employees and retirees, Bedrock, and USSC in April, all eligible non-USW retirees, including eligible employees who retire in the future, will also receive a share of the enhanced OPEB funding, which is an improvement from the arrangement in the original and First Amended Plan of Compromise.

On June 9, 2017, the Second Amended and Restated Plan was approved by CCAA Court as being fair and reasonable in the circumstances.

Koskie Minsky regularly updates their website with the latest information available. This can be viewed under the "Latest Developments" tab at the following link: <https://kmlaw.ca/cases/usscrepcounsel/#developments>.

Please continue to check this link for the latest update.

#### **4. What additional benefits are the non-USW active and retired members getting under the Plan?**

After raising concerns with the Plan filed on March 10, 2017, Representative Counsel entered into extensive negotiations with Bedrock and Stelco to improve the Plan.

A settlement was reached and confirmed by a majority of Representatives, and includes:

- Improved treatment of employee termination claims and unfunded supplemental pension claims - \$9 million pool which will provide a recovery of approximately 30% for those with such claims;
- Equivalent or "parity" treatment for OPEBs for the non-USW retirees that may be negotiated between Bedrock and the USW Local 1005;
- For active members, the Settlement Agreement provides that:

- Active salaried employees accruing DB benefits will have their services in the DB plans “frozen” as of December 31, 2017; and
- As of January 1, 2018, active employees would commence enrollment in the Opportunity Plan Group RRSP (the "**Opportunity Plan**").

The Settlement Agreement was approved by the CCAA Court on April 26, 2017.

The Settlement Agreement also provided that the Representatives would vote in favour of the Plan, which they did through their Representative Counsel on April 27, 2017.

A copy of the Settlement Agreement (being Exhibits C and D to the Affidavit of William E. Aziz sworn April 19, 2017) can be viewed here: <https://kmlaw.ca/wp-content/uploads/2017/05/Non-USW-Support-Agreement-and-Non-USW-Settlement-Agreement.pdf>

## 5. How is the Settlement Agreement beneficial to Active Salaried Employees?

Under the terms of the Settlement Agreement and the Plan, active salaried employees will:

- (a) No longer accrue benefits in the non-USW main pension plans (the DB Plans) as of December 31, 2017;
- (b) All eligible active employees will be enrolled in the Opportunity Plan effective January 1, 2018.

More specifically:

- For salaried employees currently participating in the DB plans, credited *service will cease on December 31, 2017 for benefit calculation purposes* (this **will not** affect the DB pension benefits accrued up to and including December 31, 2017);
  - *salary* after December 31, 2017 will be recognized for purposes of the applicable definitions of pensionable earnings under the Salaried DB plans;
  - employment service after December 31, 2017 will continue to be recognized for early retirement eligibility requirements under the Salaried DB plans (this is often referred to as a “soft freeze”).
- The employer matching contributions in the Opportunity Plan will be based on the employee’s employment service with Stelco.
- This means that employees who continue in service beyond January 1, 2018 will have an entitlement to receive both pension payments from their DB plan as well as retirement income from their RRSP.

The benefits of the Settlement Agreement to Active Salaried employees include:

- (a) Years of Service and top 5 years of salary are taken into account for the purpose of calculating your DB benefits payable to you;
- (b) In addition to your total account balance in the Opportunity Plan, you will have the total years with Stelco taken into account for the purpose of determining your retirement eligibility under the DB benefit; and

You will also have your previous years of service taken into account for company contributions into the Opportunity Plan on your behalf.

## **Pension**

The below answers are based on general understandings of the Plan, however, if you have any specific questions about your personal situation, please contact the Stelco Benefits Service Centre at 905-577-4488 or 1-877-395-9499.

### **6. What will the value of my pension be when I retire?**

Every individual circumstance is different and there is no single answer, however, there are some principles that apply to everyone in this situation:

- (a) You will still have the ability to retire at the earliest opportunity under the current terms of the DB Plans. This means that years of service after December 31, 2017 will be recognized for early retirement eligibility purposes;
- (b) For the DB Plans, your pension entitlements will still be based on your “Top 5” earning years. Under the terms of the Settlement, the “Top 5” calculation will recognize earning for your service after December 31, 2017; and
- (c) Under the terms of the Settlement, continued service beyond January 1, 2018 will also contribute towards working off any early retirement discount for retirement prior to age 60 (0.25% per month under the terms of the DB Plan)

### **7. Can I contribute the maximum amount to my RRSP under the Opportunity Plan in 2018?**

Individual circumstances may vary. Your ability to contribute to an RRSP in 2018 will be determined by your individual Income Tax Notice of Assessment regarding allowable RRSP contribution limits.

### **8. My Opportunity Plan entitlements are estimated to be greater than my allowable RRSP contributions in 2018. Do I lose out on this money?**

Each employee is responsible for monitoring their own individual RRSP contributions limits to ensure excess RRSP contributions are not made that could result in penalty tax. With the instruction of the employee, Stelco will direct funds

to a non-registered savings plan to ensure employees are able to receive the full benefit of the Opportunity Plan.

**9. Will there be a waiting period before I am able to benefit from the full value of the Opportunity Plan?**

No. You will automatically be enrolled in the Opportunity as of January 1, 2018. Your years of service with Stelco (USSC and its predecessors) will be counted towards the RRSP matching program under the terms of the Opportunity Plan.

**10. I am 55 years old and will have 25 years of service as of December 31, 2017, what will the DB portion of my pension look like?**

(NOTE: This description does not apply to the Lake Erie Works Pickle Line Plan)

Individual circumstances will differ for each employee. Generally speaking, under the terms of the Settlement Agreement, you would be entitled to a pension from the DB pension plan based on your years of service up to December 31, 2017.

However, the amount of the early retirement reductions (if you were to retire before being eligible for an unreduced pension) will take into account your continued service with the Company. In other words, your service from January 1, 2018 forward will also contribute towards working off any early retirement discount for retirement prior to age 60 (0.25% / month under the terms of the defined benefit plan). Your pension amount will be calculated based on your Top-5 earnings years (whether those years occur before or after December 31, 2017).

For example, if you worked with the Company for an additional five years after the cessation of accrual under the defined benefit plan (until December 31, 2022), and reached 30-years of service, your pension entitlement would be based on 25 years of service but you would be considered to have the full 30-years of service for early retirement purposes. For the purposes of calculating the value of the pension payments, your 'Top-5' earning years would be calculated up to and including December 31, 2022.

In addition, you would be eligible to receive retirement income from your RRSP based on your Opportunity Plan account balance, to which contributions would have been made for the five year period from January 1, 2018 through December 31, 2022. These payments would be subject to the terms of the Opportunity Plan.

**11. If I am retirement eligible, can I retire from the DB Plan and continue working for Stelco and be enrolled in the RRSP Plan?**

No. It is not possible to commence a pension while still being employed.

There is no provision in either of the DB Plans which allows you to continue working once you commence your pension. The Company also does not have a historical practice of providing this option.

Once a new administrator is appointed for the DB Plans, the powers to make changes to the Plans will move to the administrator. However, it is not known how the administrator will apply these provisions but it is expected that the administrator will continue with the practice of not permitting employees to draw a pension while continuing in active employment. Similarly, it is not known what approach and/or policies will be adopted for re-hiring pensioners in the future.

In the past, there have been instances where retired employees have been re-hired to fill operational needs. If such individuals are in receipt of pension, their terms of re-employment have precluded them from re-enrolling in the defined benefit pension plan. These have generally been exceptional circumstances and we do not know whether these situations will arise in the future.

If you are pension eligible, you can retire before or on January 1, 2018; however, this will terminate your employment.

**12. If you are not pension eligible can you choose to take a commuted value rather than continue in the Plan?**

Under the rules of both the Hamilton and Lake Erie DB Plans, the only way to take a commuted value is if you terminate your employment prior to reaching any of the eligibility criteria for retirement.

**13. Credited or Available Service – which will be used to determine Opportunity Plan status?**

For the Opportunity Plan, the plan states that your contributions will be matched depending on your employment service – this means that if you had to wait a year or two to get into the Plan, this time is counted.

**Benefits – Pre-Retirement**

**14. What changes will be made to the benefits of active salaried employees?**

No change will be made under the Plan to the active employee benefits at the present time. We are not aware of any change to the active employee benefits after the Implementation Date for the Plan (June 30, 2017).

**15. What will happen to the enhanced portion of the life insurance plan if the life insurance plan is cancelled?**

The enhanced portion of the life insurance is a benefit active members voluntarily pay into on a yearly basis. There are no plans to change this option being provided under the Plan.

Please note, however, that this benefit ends when you retire. As of 2008, there has not been an opportunity to continue the enhanced life insurance into retirement.

**16. Will disability insurance (i.e. salary continuance) continue to be available if an active employee falls ill?**

Yes, there are currently no plans to make any changes to the active employee benefits, including for disability insurance, under the current Plan. After the Implementation Date (June 30, 2017) any changes will be within the discretion of Bedrock.

**17. Who can I speak to about my retirement options?**

Once a new administrator for the Hamilton and Lake Erie Works DB Plans is appointed and is in place, you will be advised of the appropriate contacts for advice and details regarding your personal pension information.

Until further notice you should continue to contact the Stelco Benefits Service Centre at 905-577-4488 or 1-877-935-9499.

**Benefits – Post-Retirement**

**18. What changes will be made to the benefits of retirees, including those who retire in the future?**

In the proposed Plan of Arrangement there is a term sheet relating to other post-employment benefits ("**OPEB**") that provides information on Stelco's future funding obligations with respect to post-employment benefits and how those benefits will be delivered.

The plans will be administered independently from the Company by trustees who will be appointed by the Representatives.

No decision has been made as to how cost reductions for the OPEBs will be implemented (i.e. reduction in benefit, co-pay, etc.) in order to ensure that the available funds are sufficient to pay the benefits. The benefit design will be decided by the trustees of the OPEB vehicle.

**Additional Questions**

**19. If you have any questions that haven't been addressed in this FAQ please contact us as follows:**

Tel. 1-866-777-6341

Email: [usscrepcounsel@kmlaw.ca](mailto:usscrepcounsel@kmlaw.ca)

If your questions are specific to your employment, please contact the Stelco Benefits Service Centre at 905-577-4488 or 1-877-935-9499.